



17555 PEAK AVENUE MORGAN HILL CALIFORNIA 95037

MORGAN HILL
FINANCIAL POLICY COMMITTEE

City of Morgan Hill
Community & Cultural Center
Machado Room
17000 Monterey Road
Morgan Hill, California

Chairperson:
Committee Member:
Committee Member:
Staff:

Council Member Steve Tate
Council Member Mark Grzan
City Treasurer Mike Roorda
City Manager Ed Tewes
Director of Finance Jack Dilles
Assistant to the City Manager
Melissa Stevenson Dile

SPECIAL MEETING

Monday, May 23, 2005

MINUTES

6:10 P.M.

CALL TO ORDER by Chair Tate

Chair Tate, Committee Member Grzan & Committee Member Roorda (arrived at 6:20 P.M.)
Staff: Tewes, Dilles, & Dile

DECLARATION OF POSTING OF AGENDA

In compliance with Government Code 54954.2

PUBLIC COMMENTS

The Morgan Hill Financial Policy Committee welcomes comments from all individuals on any agenda item being considered by the Committee. In the interest of brevity and timeliness and to ensure the participation of all those desiring an opportunity to speak, comments presented to the Committee are limited to Three Minutes.

BUSINESS:

1. Approval of Financial Policy Committee Minutes of May 9, 2005

The Financial Policy Committee minutes for May 9, 2005, were approved on a motion by Committee Member Grzan, seconded by Chair Tate.

3. Alternative Retirement System for Temporary Employees

Staff presented the staff report, explaining that implementing the PARS retirement system alternative to Social Security for temporary employees would save the City approximately \$20,000 per year. Under the proposal, temporary employees not enrolled in PERS would pay 7.5% of their wages to PARS rather than paying the current 6.2% of their wages into Social Security. They would get these monies, plus earnings, back when they left employment with the City. The amounts could be rolled by employees into other retirement vehicles at that time. The City would pay \$0 in contributions, but would pay an administrative fee of \$300 per month to start. The City's savings would come from the cessation of Social Security payments. (Committee Member Roorda arrived at this point). The Committee supported the proposal.

Staff then explained that staff was also looking for feedback from the Committee as to whether elected City officials not enrolled in PERS should all be included in the PARS plan, whether all should be left in Social Security, or whether the choice of electing PARS or Social Security should be left to each elected official. Staff then indicated that staff had recently determined that elected officials also have an option to enroll in PERS and that the City has an obligation to explain that opportunity to elected officials. Staff has not explained this opportunity to elected officials during the known past. Staff stated that they would be meeting individually with each elected official to explain this separate opportunity and to enroll any who wish to enroll. The Committee agreed that all elected officials not enrolled in PERS should be enrolled in PARS in order to maximize City savings.

Staff explained that staff will bring the proposed PARS plan to the City Council on June 15 for their approval.

2. Revenue Enhancements & Review of Survey (Policy Discussion)

Chair Tate stated that the City needs to be clear on what we want and how the results are to be used. City Manager Tewes indicated that failures occur when the City Council and others have a different view of how the results will be used. We need to be clear up front. Chair Tate stated that he sees three steps to define our purpose:

- 1) Communicate*
- 2) Identify options that include tradeoffs*
- 3) Build a consensus with the public to form a plan*

Committee Member Roorda stated that the City should provide options for the community to maintain services because, if the City stays on its current track, the City will have to chop services at some point. Committee Member Grzan added that the City needs to

educate the community regarding its finances and to have the community engage in the communication process. There should be community participation rather than City dictation. City Manager Tewes indicated that the City should say up front "The City Council will decide what to put on the November 2006 ballot, but we want to hear first what the community wants." Chair Roorda added that the community wants a say in what happens. Committee Member Grzan said that the first step is to let the community know where the City is and why (retirement cost increases, etc.). Every month, the City could put articles out about the issues. Then the City could follow up with solutions and, eventually, with a ballot measure. The community will be better informed as to where the City is headed and at what level of services. Committee Member Roorda indicated that the City will receive public input on options and choices on public services to help shape the Council's decision regarding a ballot measure. The City does need to be explicit regarding inputs and outputs during the conversation to allow the Council choices. The goal is to get a sense of community priorities. A goal is to listen to the community and to focus on what the community tells the City.

The Committee then discussed the purpose of the community conversation and determined that the conversation will provide guidelines to the City Council in proceeding with a ballot measure. City Manager Tewes started constructing an outline summarizing these guidelines, to be comprised of purpose, education, and method of assimilation of input. At the end of the conversation, the City Council will make a decision on what, if anything, to put on the November 2006 ballot. If a ballot measure were not placed on the ballot, the conversation could lead to a change in budget strategy.

The Committee then talked about the methodology for the community conversation. Committee member Grzan indicated that the City should have a two page summary of where the City is and how we got there. This summary should then be distributed to people in the community. The summary would focus on topics such as "we can expect the loss of employees." Staff could prepare this summary and the City Council could distribute it. This educational information should be disseminated through many outlets so that the City can get feedback to see where the community wants to go.

Committee Member Roorda stated that the City needs to spark interest. How should the City show the problem? The City needs a catalyst. The City needs an attention "grabber" to act as a catalyst to get people engaged. City Manager Tewes added that the City needs to educate first, and then to offer solutions. The community needs to go through the following steps: 1) understanding, 2) consideration of options and narrowing down to a few options, and 3) City Council evaluation of choices. The City needs to get community opinion leaders engaged. The City needs to use multiple communication fronts through different community groups. We should consider expanded services.

Committee Member Grzan stated that this process needs to be managed, whether by staff or by a consultant. Committee Member Roorda added that he would like to hire a consultant to run the process. The League of California Cities suggests that cities in our position figure out how to move and then hire a consultant. The City needs outside

support to help shape/manage/execute/administer the conversation. The City also needs management feedback regarding the community conversation.

Staff indicated that \$25,000 was included in the proposed 2005/06 City Budget for materials related to the community conversation. It was pointed out that the City may need \$50,000 more for consulting services related to the conversation. The Committee recommended that the City add \$50,000 to the 2005/06 budget for a consultant.

The Committee agreed that the community conversation should kick off on July 4, 2005, and end a year following that date. The kick-off day could be called "Deliberation Day." The Committee recommended that the Committee go to the City Council for the necessary budget on June 15 and obtain approval for the City to hire a consultant to manage the conversation. Prior to that Council meeting, staff should type up and distribute to Committee Members the outline, concerning purpose (guidelines), methodology, and dissemination of input, that was sketched out by the Committee at this meeting. Committee Member Grzan commented that the introduction to the plan should read something like: "The Committee met, developed a purpose, concluded that a consultant should manage the process, developed methodology, and developed a time frame for the community conversation." Phase 1 would focus on educating the public and would culminate in a written summary by January 2006.

4. Financial & Investment Report for April 2005

This report was briefly discussed.

5. Future Agenda Items (Discussion)

Scheduling of next Committee meeting.

ADJOURNMENT: 7:46 P.M.

NOTICE

AMERICANS WITH DISABILITY ACT (ADA)

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